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Ms Collyer  
Australian Energy Market Commission  
Level 15  
60 Castlereagh St  
Sydney NSW 2000

Dear Ms Collyer

**IPART's submission to AEMC's review of the regulatory framework for metering services**

The Independent Pricing and Regulatory Tribunal (IPART) monitors competition in the NSW retail electricity market and regulates electricity distribution network service providers' compliance with their licences. We also periodically conduct special reviews, including our 2018 review of metering and our review of reliability standards in the distribution licences which is in progress.

We have responded to the questions raised in your consultation paper in the attached document where IPART has recent experience.

IPART's contact officer for this submission is Justin Robinson, Principal analyst, contactable on (02) 9290 8427.

Yours sincerely

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Signed by: Paul Paterson

**Dr Paul Paterson**  
**Chair**

We have addressed select questions below.

## 1.2 Is there additional related work that the Commission should consider in this metering review?

IPART is currently reviewing the distribution reliability standards for NSW. Our draft recommendations include:

- ▼ Changes to the guaranteed service levels and associated payments
- ▼ Additional reporting requirements to better understand the challenges of distributed energy resources.

Smart meters are likely to be the most cost-effective way for DNSPs to collect data required to accurately identify which customers are eligible for guaranteed service level payments and report on distributed energy resources (DER). This is explained in more detail in 9.1 below.

## 3.3 What benefits are smart meters providing consumers? Have the benefits changed or improved over time?

In our retail market monitoring reviews, we found a gradual increase in the quantity of innovative market offers that rely on smart metering. In our 2019-20 report we highlighted a market offer that offered customers with smart meters free electricity over specified time windows for electric vehicle charging. However a more rapid increase in smart meters would improve outcomes for consumers. For example, retailers and other service providers can offer new business models and innovative services that provide consumers with greater choice and value-adding opportunities.

Additionally, smart meters enable engaged consumers/prosumers and DNSPs to have visibility of the amount of DER export onto the grid. DNSP visibility benefits consumers, as DNSPs can adjust their network settings to allow greater hosting capacity or provide greater transparency to consumers of export constraints before they invest in DER. DER consumers who engage in the market need to be able to take advantage of innovative tariffs, services and new business models that help them to maximise the benefits of their DER. The increased flexibility and responsiveness of demand and supply brought about by this technology will also benefit consumers who do not engage in the market, through lowering overall system costs and improving reliability.

## **7.1 Do you have any suggestions on how industry cooperation can be improved?**

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In our 2018 review of retailers' metering practices we found:

- ▼ The National Energy Retail Rules (NERR) restricted multi-occupancy and shared-fuse customers' from receiving meters in a timely manner. In particular rule 59 prevented retailers from interrupting supply to customers of other retailers.
- ▼ That retailers, distributors, Metering Coordinators and Metering Providers were not coordinating well with each other and customers to organise access, identify meter board issues and follow up issues with customers.
- ▼ That distributor's 'best endeavours' to provide 'reasonable assistance' to retailers under the NERR had not been adequate to ensure coordination and timely meter installation.

To improve cooperation we recommended a rule change to permit retailer planned interruptions to other retailers' customers to install a meter at multi-occupancy and shared fuse dwellings.

We also raised opportunities to streamline and improve communication through the business to business systems. In particular, retailers and networks could share records or information about service fuse or meter board condition (especially where the conditions require specialist equipment, training and authorisation). We considered that this is best dealt with through commercial arrangements. However, the AEMC should consider whether commercial arrangements have in fact been put in place to resolve these issues, and if not, whether a rule change is required.

## **9.1 In relation to metering data, what data should be captured by smart meters, and why?**

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In our Draft Report for our review of NSW electricity distribution reliability standards we have recommended that distributors report on information including:

- ▼ the number of DER connected to the Licence Holder's distribution network
- ▼ the volume of electricity exported into the Licence Holder's distribution network from DER
- ▼ the volume of electricity that could not be produced due to insufficient hosting capacity of the Licence Holder's distribution network.

We included this reporting requirement in our Draft Decisions so that distributors can understand the impact of DER penetration on the grid and customers. This could help inform their investment decisions on expanding hosting capacity to match the demand for it. It could also inform national and state decisions on how best to regulate DER. We agree with AEMO's view that "the ability to efficiently integrate DPV [distribution photovoltaic] generation within networks is severely hampered by a lack of visibility of the low voltage network."<sup>1</sup> Capturing the above data is a first step in beginning to address this issue. We consider that smart meters should capture this data where possible and it is the most cost effective means for DNSPs to gather, analyse and report on this information.

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<sup>1</sup> AEMO, Renewable Integration Study: Part 1 report, 2020, 40

Our Draft Report also includes a guaranteed service level standard based on the number of interruptions and the cumulative length of interruptions over a financial year. Real-time smart meter data on outages could also provide customers with better service levels, as distributors could more quickly identify outages on their networks. We consider that smart meters are likely the most cost effective method of gathering interruption data. Interruptions can affect small subsets of customers, so population data is often necessary to provide sufficient visibility. This data will help distributors implement and comply with our recommended guaranteed service level standard.

## **9.2 In relation to metering data, who should be able to access metering data, and how? What protections should be in place?**

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If smart meter data is the most cost effective means of collecting the information listed in 9.1 above, distributors should have access to this smart meter data. Distributors should pay for this data. We consider that access prices should be:

- ▼ Set by market mechanisms where distributors only require a subset of meter data to gain the necessary visibility (e.g. a few smart meters on a feeder may be sufficient for distributors to monitor voltage changes on each feeder), and no retailer has sufficient market power to attract economic rents.
- ▼ Monitored, and if necessary regulated, by the AER where distributors need population level data to gain the necessary visibility (e.g. data on where customers lose power supply for the guaranteed service level payments).

We also consider third-parties, including Energy Made Easy and NSW Energy Switch, should have access to meter data with the consumers' permission. This may be through the Consumer Data Right. Smart meter data will allow third-parties to provide more innovative services to consumers, including optimising tariff selection and operating virtual power plants.

## **13.1 Are there other barriers that were not identified by the Commission that you have found to prevent the realisation of benefits of smart meters and/or slowed the rollout of smart meters in the NEM?**

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IPART supports both the move to more cost reflective tariffs and a smart meter rollout. We consider both are important steps in improving the efficiency of the NEM and building the networks of the future.

Customer preferences for flat tariffs, and moves to more cost reflective distribution tariffs may lead risk averse retailers to slow the rollout of smart meters.

Many customers may prefer flat tariffs. Customers are familiar with flat tariffs and flat tariffs are easy to understand. We consider that there is a place for flat tariffs in a competitive retail market.

However, for retailers installing smart meters, offering flat tariffs increases the retailer's risks. Under the AER's 2019 tariff structure statements, NSW distributors will reassign customers to time of use or demand tariffs when a retail replaces a type 6 meter with a smart meter.<sup>2</sup> This means as a result of installing a smart meter, the retailer either:

- ▼ Faces a mismatch between its costs (the network tariffs) and its revenues (the retail tariffs) that it didn't have before, or
- ▼ Reassigns that customer to a time of use or demand tariff and risks losing the customer to a competitor.

We consider that the AEMC should investigate the impact of tariff reassignment policies on retailers' incentives to install smart meters, and to ensure any changes to the NER align market participant incentives on these important reforms.

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<sup>2</sup> Mandatory reassignment for Ausgrid and opt-out reassignment for Endeavour Energy and Essential Energy.